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Message Text

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43
ACTION EUR-25

INFO OCT-01 ADP-00 EURE-00 INRE-00 CIAE-00 PM-09 INR-09

L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 GAC-01

USIA-12 MBFR-03 SAJ-01 TRSE-00 EB-11 COME-00 TAR-02

IO-12 ABF-01 OMB-01 RSR-01 SS-14 NSC-10 /131 W
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P R 231312 Z MAR 73
FM USMISSION NATO
TO SECSTATE WASHDC PRIORITY 9487
SECDEF WASHDC PRIORITY
INFO JCS WASHDC
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AMEMBASSY PARIS

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E. O. 11652: N/ A
TAGS: NATO FR ETRN ENRG P/ M
SUBJECT: CENTRAL EUROPE PIPELINE SYSTEM (CEPS); NON- NATO MOVEMENT TARIFFS IN FRANCE

DEFENSE FOR OASD(I& L), MR. R. MATHEWS; JCS FOR J-4/ PETROLEUM; CINCEUR FOR J-4/ JPO; EMB FOR MR. GLITMAN.

REFS: A. USNATO-462; B. STATE 036475; C. USNATO-0511; D. USNATO AIRGRAM A-020 OF 2 FEB 73.

BEGIN SUMMARY. NEXT MEETING OF CENTRAL EUROPE PIPELINE POLICY COMMITTEE, 28-30 MARCH, WILL AGAIN CONSIDER EXTENSION OF CONTRACTS FOR NON- MILITARY MOVEMENTS IN FRANCE. UNLESS FRANCE IMPROVES TERMS TO APPROACH COMPARABILITY WITH MILITARY TARIFFS, WE INTEND TO WITHHOLD APPROVAL. ACTION: REQUEST WASHINGTON NOTE AND AFFIRM PROPOSED POSITION OR PROVIDE ALTERNATE INSTRUCTIONS. (END SUMMARY).

1. REFS A AND B ESTABLISHED PRINCIPLES TO BE PURSUED TO ESTABLISH COMPARABILITY OF REPS' NON- MILITARY AND MILITARY TARIFFS. REFS
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C AND D REPORTS ACTIONS TAKEN AT JOINT CEPO/ CEPPC MEETING ON NON-MILITARY TARIFFS IN FRANCE WHERE:

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A. FRANCE REQUESTED ONE YEAR' S EXTENSION OF LAVERA- STRASBOURG AGREEMENT EFFECTIVE 1 JAN 73 WITHOUT INCREASE IN TARIFFS OR MODIFICATION OF PRESENT TEN PERCENT PROFIT TAX. PROPOSAL (AC/120- D/783) WAS NOT ACCEPTED BY CEPPC BECAUSE OF OBJECTIONS RAISED BY US AND FRG. PRESENT CONTRACT WAS TEMPORARILY EXTENDED (FOR UNSPECIFIED PERIOD) TO PERMIT FURTHER NEGOTIATION BY CEOA WITH FRANCE AND PENDING FURTHER DISCUSSION BY THE COMMITTEE.

B. FRANCE ALSO REQUESTED (AC/120- D/788) AN EXTENSION OF PRESENT 5- YEAR AGREEMENT FOR USE OF CEPS FOR NON- NATO MOVEMENTS LEHAVRE- VALENCIENNES (WHICH BEGAN 1 JULY 69) UNTIL 31 DEC 77 WITH A TOTAL CUMULATIVE QUANTITY TO BE TRANSPORTED OF 25 MILLION TONS. THE POSSIBILITIES FOR TARIFFS ADJUSTMENTS OFFERED BY FRANCE ARE LIMITED TO REVISIONS WHEN TOTAL QUANTITIES REACH 15 AND 20 MILLION TONS (APPROXIMANTELY 10 MILLION TONS HAVE MOVED TO DATE AND ABOUT 3.2-3.5 MILLION TONS WILL BE TRANSPORTED PER YEAR). CEPPC, AGAIN BASED ON US AND FRG INTERVENTIONS, DID NOT APPROVE THE CONTRACT EXTENSION.

2. WE HAVE BEEN INFORMED THAT CEOA HAS NOT BEEN SUCCESSFUL IN GETTING FRENCH TO AGREE TO IMPROVE TERMS OF EITHER CONTRACT. AT NEXT MEETING OF CEPPC, 28-30 MARCH, FRENCH CAN BE EXPECTED TO PRESS FOR CEPPC APPROVAL TO TWO EXTENSIONS CITED WITHOUT CHANGE.

3. BASED ON REFS A AND B, US REPRESENATIVE WOULD WITHHOLD APPROVAL OF THE TWO DOCUMENTS CITED (D/783 AND D/788) UNLESS SUB-STANTIAL INCREASE IN REVENUE TO CEPS IS OFFERED. US REPRESENTATIVE WOULD PROPOSE A TERMINATION DATE OF 30 JUNE 73 BE SET FOR THE PRESENT TEMPORARY EXTENSION OF LAVERA- STRASBOURG CONTRACT.

COMMENT: WE WOULD VIEW ELIMINATION OF TEN PER CENT PROFIT TAX PLUS AN INCREASE CORRESPONDING TO 1 JAN 73 INCREASE IN MILITARY MOVEMENT TARIFFS OF 6.6 PER CENT AS " SUBSTANTIAL INCREASE". ADDITIONALLY, WE WOULD REQUIRE PROVISION FOR AN ANNUAL REVISION OF LEHAVRE- VALENCINNES TARIFF DURING TENURE OF CONTRACT AS CONDITION FOR ACCEPTANCE. (END COMMENT).

4. WE EXPECT IMPASSE AT CEPPC MEETING ON CONTRACT EXTENSIONS RESULTING FROM US NON- APPROVAL PENDING BETTER TERMS AND FRENCH
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REFUSAL THEREOF. NEXT STEP WILL PROBABLY BE US- FRENCH BILATERAL DISCUSSIONS AT NATO HQS FOLLOWED BY REFERRAL, IF DISPUTE CONTINUES, TO NATO PIPELINE COMMITTEE OR NORTH ATLANTIC COUNCIL.

5. MISSION CONSIDERS THAT LONG- STANDING ISSUES OF PROFIT TAXES AND LOW RATES FOR CIVIL MOVEMENTS IN FRANCE SHOULD BE RESOLVED IN MANNER MORE SATISFACTORY TO US.

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6. REQUEST WASHINGTON NOTE AND AFFIRM, OR PROVIDE ALTERNATE INSTRUCTIONS REGARDING PROPOSED POSITION OUTLINED IN PARA 3 ABOVE AND NEXT STEPS EXPECTED, OUTLINED IN PARA 4.
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